

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 EUR-12 NEA-10 ISO-00 FEA-01 AGRE-00

CEA-01 CIAE-00 DODE-00 FRB-03 H-01 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15

STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

DHA-05 JUSE-00 /113 W

-----073615 131107Z /14

R 130815Z SEP 77

FM USINT BAGHDAD

TO SECSTATE WASHDC 4998

INFO USDOC WASHDC

AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

AMEMBASSY BONN

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY SANA

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

C O N F I D E N T I A L SECTION 1 OF 2 BAGHDAD 1618

E.O. 11652: GDS

TAGS: ETRD, IZ

SUBJECT: BOYCOTT: DANGLING THE COMMERCIAL CARROT

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REF: (A) BAGHDAD 1562, (B) BAGHDAD 1617.

1. SUMMARY: USINT RECOMMENDS DISSEMINATION OF TRADE OPPORTUNITIES BASED ON DOCUMENTS CONTAINING BOYCOTT PROVISIONS IN ORDER TO STRENGTHEN US HAND IN FORTH-COMING DISCUSSION OF BOYCOTT ISSUES WITH GOI AND OTHER

ARAB LEAGUE GOVERNMENTS. END SUMMARY.

2. ONE OF THE GREATEST US STRENGTHS IN DEALING WITH THE GOI AND MOST ARAB LEAGUE GOVERNMENTS ON BOYCOTT ISSUES IS THEIR DESIRE TO ACQUIRE US TECHNOLOGY, EXPERTISE, AND QUALITY PRODUCTS. IN 1973 THE GOI, FOR EXAMPLE, REOPENED IRAQ TO US (AND WEST GERMAN) FIRMS PRIMARILY FOR THIS PURPOSE. PRIVATE FIRMS BIDDING ON PROJECTS AND TENDER CALLS IS THE MAIN WAY IN WHICH OUR FREE ENTERPRISE ECONOMY DANGLES THIS COMMERCIAL CARROT. IN AT LEAST IRAQ'S CASE, INDIVIDUAL US FIRMS FORCING GOI PURCHASING AND CONTRACTING ORGANIZATIONS TO FACE THE PROSPECT OF FOREGOING OR LIMITING THEIR ACCESS TO THE TECHNOLOGY AND PRODUCTS (AS WELL AS SOMETIMES THE MARKETS) OF WORLD'S LARGEST AND MOST ADVANCED ECONOMY PRESENTS AN IMPETUS WHICH CAN HELP MOVE THE GOI TOWARD ACCOMMODATION ON BOYCOTT ISSUES.

3. SPECIFIC EXAMPLES INCLUDE THE FOLLOWING:

-- A US-LED CONSORTIUM IS REPORTEDLY THE GOI'S CHOICE TO RECEIVE THE AWARD FOR THE 400 MILLION DOLLAR NORTHERN GAS PROJECT, BUT THE GOI WILL HAVE TO WAIVE THE REQUIREMENT FOR THE GOI'S "BOYCOTT QUESTIONNAIRE" IN ORDER TO GIVE THE PROJECT CONFIDENTIAL

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TO THIS CONSORTIUM.

-- THE IRAQI NATIONAL COMPUTER CENTER (NCC) REPORTEDLY IS WILLING TO SEEK AN EXCEPTION TO IRAQI BOYCOTT REGULATIONS IN ORDER TO PURCHASE US COMPUTERS; BUT IN RETURN THE US COMPANY MUST AGREE TO ASSIST THE NCC ESTABLISH A COMPUTER RESEARCH CENTER IN BAGHDAD SIMILAR TO ONE THE FIRM HELPED ESTABLISH IN ISRAEL.

-- A US ARCHITECTURAL FIRM DESIGNED THE NEW CAMPUS OF THE UNIVERSITY OF BAGHDAD; NOW 19 FOUNDATIONS ARE LAID, BUT CONSTRUCTION CANNOT PROCEED UNLESS THE GOI GRANTS EXCEPTIONS TO ITS BOYCOTT REGULATIONS IN ORDER TO ALLOW THE IMPORT OF SPECIALIZED US CONSTRUCTION MATERIALS AND FURNISHINGS.

-- US BROILERS HAVE BEEN A FINGER-LICKING SUCCESS IN THE IRAQI MARKET, BUT THE GOI MUST WAIVE AT LEAST SOME OF ITS BOYCOTT REGULATIONS IF IT WANTS TO BUY MORE. THE STATE ORGANIZATION FOR AGRICULTURAL DEVELOPMENT HAS A PENDING TENDER CALL FOR 5,000

TONS FOR DELIVERY IN 1977 AND WILL SOON ISSUE A
TENDER CALL FOR 18,000 TONS FOR DELIVERY IN 1978.

-- A MAJOR US OIL COMPANY IS INTERESTED IN
PURCHASING IRAQI CRUDE BEGINNING IN
1978, BUT TO MAKE THE SALE THE IRAQI NATIONAL OIL
COMPANY (INOC) WILL HAVE TO SEEK PERMISSION TO
WAIVE THE BOYCOTT SHIPPING PROVISIONS IN INOC'S
STANDARD PURCHASING AGREEMENT.

-- THE IRAQI TRADING COMPANY, A GOI-OWNED CONCERN
WHICH IMPORTS CONSUMER GOODS, WANTS TO BUY LARGE
QUANTITIES OF HOME APPLIANCES, INCLUDING SIDE-BY-
SIDE REFRIGERATORS ONLY AVAILABLE IN THE US.
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IT WILL HAVE TO SEEK PERMISSION TO WAIVE GOI BOYCOTT
REGULATIONS TO BUY THESE PRODUCTS.
--THE US-GERMAN JOINT VENTURE FOR THE COSTRUCTION
OF THE 1.1 BILLION DOLLAR PETROCHMICAL COMPLEX
NEAR BASRAH ENTAILS THE IMPORTATION OF SPECIALIZED

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STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
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FM USINT BAGHDAD
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AMEMBASSY ABU DHABI
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AMEMBASSY TRIPOLI

C O N F I D E N T I A L SECTION 2 OF 2 BAGHDAD 1618

US-MADE EQUIPMENT; THE GOI MAY HAVE LITTLE CHOICE
BUT TO GRANT EXCEPTIONS FOR THESE IMPORTS.

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4. AS A SUPPORTIVE EFFORT FOR WHAT WE HOPE WILL BE
A SERIES OF DISCUSSIONS WITH THE GOI ON BOYCOTT
ISSUES, USINT IS TRYING TO MAXIMIZE THE NUMBER OF
CASES SUCH AS THOSE DESCRIBED IN PARA 3. THE OBJECT
IS TWOFOLD: (A) TO SHOW THE GOI IN CONCRETE TERMS
WHAT IT WILL BE MISSING IF IT FAILS TO CHANGE ITS
BOYCOTT REGULATIONS, AND (B) TO CHIP AWAY AT IRAQI
BOYCOTT PRACTICES BY ENCOURAGING AS MANY IRAQI
PURCHASING AND CONTRACTING ORGANIZATIONS AS POSSIBLE
TO REQUEST WAIVERS OF STANDARD IRAQI BOYCOTT
REGULATIONS FROM IRAQ'S CENTRAL BOYCOTT AUTHORITIES,
WITH THE ULTIMATE EFFECT OF UNDERMINING THE BOYCOTT
PRINCIPLES.

5. FOR THIS STRATEGEM TO WORK A PREREQUISITE IS FOR
US FIRMS TO KNOW ABOUT IRAQI OPPORTUNITIES. THE
US EXPORT ADMINISTRATION REGULATIONS, (SECRETARY OF
COMMERCE CIRCULAR 21, DATED NOVEMBER 28, 1975)
HOWEVER, PROHIBIT US MISSIONS ABROAD AND USDOC FROM
DISSEMINATING ANY TENDER DOCUMENTS OR TRADE
OPPORTUNITIES WHICH CONTAIN CONDITIONS INTENDED TO
SUPPORT SECONDARY BOYCOTTS, OR WHICH ARE BASED ON
DOCUMENTS KNOWN TO CONTAIN SECONDARY BOYCOTT
PROVISIONS. WE RECOMMEND THAT THIS POLICY BE
RECONSIDERED FOR THE FOLLOWING REASONS:

-- THE NEW US LAW AND REGULATIONS MAKE SUCH A
POLICY UNNECESSARY AND OBSOLETE AS A WAY TO

DISCOURAGE SECONDARY BOYCOTTS OF COUNTRIES FRIENDLY
TO THE US BECAUSE US FIRMS NOW HAVE LITTLE LEEWAY
IN REGARD TO AGREEING TO SECONDARY BOYCOTT
PROVISIONS.

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-- DISSEMINATION OF TRADE OPPORTUNITIES WHICH
CONTAIN BOYCOTT PROVISIONS CAN HELP ENGENDER AN
INFORMAL NEGOTIATING PROCESS BETWEEN US FIRMS AND
ARAB LEAGUE GOVERNMENTS THAT COULD EFFECTIVELY
SUPPORT THE US POSITION IN GOVERNMENT-TO-
GOVERNMENT DISCUSSION OF BOYCOTT ISSUES. IT IS THE
ARAB GOVERNMENTS, NOT THE U.S. FIRMS, WHICH NOW
HAVE THE NEGOTIATING LEEWAY.

-- USDOC ALREADY STAMPS TRADE OPPORTUNITIES FROM
MOST ARAB LEAGUE COUNTRIES WITH A WARNING THAT AT
SOME STAGE IN THE TRANSACTION RESPONDING FIRMS MAY
BE ASKED TO PARTICIPATE IN ARAB BOYCOTT-
RELATED RESTRICTIVE TRADE PRACTICES PROHIBITED BY
US LAWS AND REGULATIONS.

6. USINT RECOGNIZES THAT ISSUES NOT APPARENT
FROM OUR PERSPECTIVE IN BAGHDAD MAY ARGUE AGAINST A
CHANGE IN THE POLICY OF REPORTING
TRADE OPPORTUNITIES WHICH INVOLVE BOYCOTT LANGUAGE.
IT NONETHELESS APPEARS THAT CIRCULAR 21, WHICH
SERVED A VERY REAL NEED, IS NO LONGER CONTRIBUTING
TO OUR GOAL OF LEADING THE ARAB LEAGUE GOVERNMENTS
TO AN ACCOMMODATION WITH OUR ANTI-BOYCOTT
POLICY. AS WE WORK WITH ARAB GOVERNMENTS IN THE
MONTHS AHEAD, THIS REGULATION MAY SIMPLY BE EXCESS
BAGGAGE. A CHANGE AS SOON AS POSSIBLE WOULD BE
MOST EFFECTIVE.

7. USINT WELCOMES THE VIEWS OF OTHER POSTS IN THE
AREA.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BOYCOTTS
Control Number: n/a
Copy: SINGLE
Sent Date: 13-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
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From: BAGHDAD
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770972/aaaacifu.tel
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Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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SAS ID: 1300999
Secure: OPEN
Status: NATIVE
Subject: BOYCOTT: DANGLING THE COMMERCIAL CARROT CONFIDENTIAL CONFIDENTIAL
TAGS: ETRD, IZ, US
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/f9500548-c288-dd11-92da-001cc4696bcc
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